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Annual Report 10%



Royal Trust

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Sur demande, le secrétaire vous fera
volontiers parvenir un exemplaire
français du rapport annuel.

**The 71st Annual Report
of The Royal Trust Company
for the year ended 31st December, 1970**
(Consolidated Operations)

Annual
Report
1970

Highlights

(Thousands of Dollars,
except per share amount)

	1970	1969
Gross Income	\$ 153,587	\$ 123,835
Net Operating Profit	\$ 6,797	\$ 6,345
Operating Profit per share	\$ 1.60	\$ 1.54
Companies' and Guaranteed Account Assets	\$ 1,687,578	\$ 1,378,559
Estimated Market Value of Assets Under Administration	\$10,672,578	\$10,012,559

71st annual general meeting
Montreal, 24th February, 1971

We are pleased to present the 71st annual report of The Royal Trust Company for the year ended 31st December, 1970.

Although 1970 was considered generally a poor year for the Canadian economy, the results of the Company's operations, on balance, were not disappointing. An increase of 7% in operating profits and a total growth of 22% in assets in a year of economic recession must be accepted as being quite satisfactory by all concerned with the Company's affairs.

Directors

Four new Directors have been appointed since last year. They are: Eric L. Hamilton, C.A., Montreal, President, Canadian Industries Ltd.; J. Richard Murray, Winnipeg, Managing Director, Hudson's Bay Company; Maurice Riel, Q.C., Montreal, senior partner, Riel, Bissonnette, Vermette and Ryan; and James M. Mylrea, Toronto, President, Reed Shaw Osler Ltd. The only other change is the retirement, in accordance with our by-laws, of our distinguished Director, Jean Martineau, C.C., Q.C., LL.D., who will however be nominated as an Honorary Director. We note with pride the appointment of Mr. Martineau as a Companion of the Order of Canada.

We record with regret the death last February of H. E. Sellers, C.B.E., LL.D., a Director from 1946 to 1962 and Honorary Director until his death.

Advisory Boards and Directors of Subsidiary Companies

There were a number of changes among the approximately 150 prominent businessmen who constitute

our 22 Advisory Boards across Canada, and the Boards of Directors of our three subsidiary companies abroad.

We recall with regret the death of Frederick H. Black, Chairman of our Thunder Bay Advisory Board since its creation in 1950; Charles E. Garnett, member of the Edmonton Board since 1952; Thomas S. Johnston, member of the Toronto Board since 1963, and Maitland B. Steinkopf, Q.C., member of the Winnipeg Board since 1969.

The following resignations have been accepted with regret: London, England — C. E. Foreman, a Director since 1955; Jersey, Channel Islands — Arthur Forster, a Director since 1966; Saint John, N.B. — E. B. Harley, an Advisory Board member since 1958; Quebec — J. D. Charles de Jocas, member since 1967, and A. C. Price, member since 1955; Ottawa — W. R. Creighton, member since 1928 — his 42 years being the longest record of service on any of our Advisory Boards; Sault Ste. Marie — Leslie C. Waugh, Chairman of that Board since 1965; Regina — J. L. Dick, member since 1967; and in Victoria, A. E. Walters, member since 1958. We are much indebted to these gentlemen for their assistance and counsel over the years.

To fill vacancies the Directors made the following appointments: in London, Eng., Marcus R. Kimball, M.P. was appointed a Director; in Jersey, Kenneth A. White was named to the Board; in Hamilton, Thomas E. Nichols; in St. Catharines, Philip Sullivan, Q.C.; in Kitchener-Waterloo, Stuart R. Goudie and John A. Young; in Sault Ste. Marie, Roy A. Samson and Leonard N. Savoie; in Regina,



The first President of Royal Trust, Lord Strathcona and Mount Royal, was honored by a Canada commemorative stamp issued in 1970. Lord Strathcona was President from 1899 until his death in 1914.

Royal Trust is a story of people — thousands upon thousands of people throughout Canada and beyond being provided with a wide range of useful services. Young people, older people, people of average means, people who are very rich. Royal Trust serves both the individual and the corporation, and through the corporation serves still more individuals — in the hundreds of thousands.



R. James Balfour, Q.C.; and in Winnipeg, J. Richard Murray.

A special word of congratulation is due two members of our Saint John Board, Colin B. Mackay and Philip W. Oland, who were honored with the Order of Canada (Service Medal).

Financial Statements

To provide additional information concerning our operations, and to further clarify certain aspects of our financial statements, we have made some modifications to our reporting practice of previous years requiring a little explanation.

The classification and purpose of investment and contingency reserves have often been the source of some misunderstanding. It has been our custom in the past to exclude such reserves from the Shareholders' Equity section of the Balance Sheet. These reserves, less applicable deferred income taxes, are now included in the section entitled "Shareholders' Equity".

In prior years, net gains (or losses) on sales of securities were recorded directly in the investment reserve. Similar gains or losses on foreclosure of delinquent mortgages were deducted from total mortgage income, as reported in the Statement of Profit and Loss. We have now decided that our statements would be more informative if the gains or losses on sales of securities were also included in the Statement of Profit and Loss and that, in addition, all such investment items, whether derived from mortgages or securities, should be segregated from figures reporting on the Company's regular operations for the year. You will note that net gains or

losses on investments are now reported in the Statement of Profit and Loss as a separate item after Net Operating Profit.

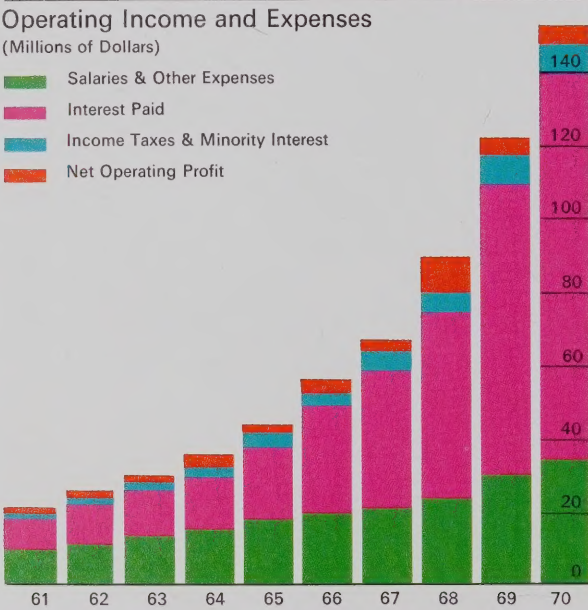
The third major change is that the sources of income and composition of expenses are set out in much greater detail.

The 1969 comparative figures have been re-stated to reflect these changes.

Financial Results

Operating profit of \$6.8 million for 1970 represents an increase of 7% over 1969. Net operating profit per share for 1970 is \$1.60 compared with a re-stated \$1.54 per share for the previous year. Profit per share in each case is based upon the average number of shares outstanding during the year — 4,259,000 for 1970 and 4,132,000 for 1969.

A number of fee categories are based on market values of assets administered. The strong upward trend in fees from pension trusts seen in recent years slowed down because of lower average prices of securities prevailing throughout most of the year. Fees from stock transfer and bond trusteeship operations varied little from 1969 as a consequence of lower volume on the stock exchanges as well as decreased activity in new issues or corporate borrowings compared with prior years. On the positive side, the Company achieved a substantial increase in real estate sales commissions in spite of generally lessened activity in that field throughout Canada in 1970. Gross income from that source increased by 30%, which reflects the growing emphasis



we have placed on our real estate operations in line with plans disclosed to you some two years ago.

Major increases in expenses resulted from expansion of the Company's real estate sales operations, added computer facilities, and a full year's rental in 1970 on new premises occupied in the latter part of 1969 by two of our major branches, Toronto and Vancouver.

Balance Sheet

The Company's consolidated assets at 31st December, 1970, were almost \$1.7 billion, an increase of more than \$300 million, or 22%, over the previous year. Guaranteed Account increased by \$285 million, and our mortgage subsidiary by \$13 million. In addition, \$11 million new capital was acquired through the sale of additional Royal Trust shares.

A strong liquid position was maintained throughout the year, and, at 31st December, 1970, cash and equivalent items on our Balance Sheet amounted to \$237 million, or 14% of total assets. In addition, there was a substantial improvement in the market value of securities held for the Company's accounts. Between the 1969 and 1970 year-ends, there was a net improvement in market value compared to book of \$13 million. This change is attributable chiefly to the Company's portfolio of Government of Canada short term securities.

Mortgages held for Guaranteed Account and the Company's mortgage subsidiary now total \$839 million, an increase of \$157 million during the year. This total, repre-

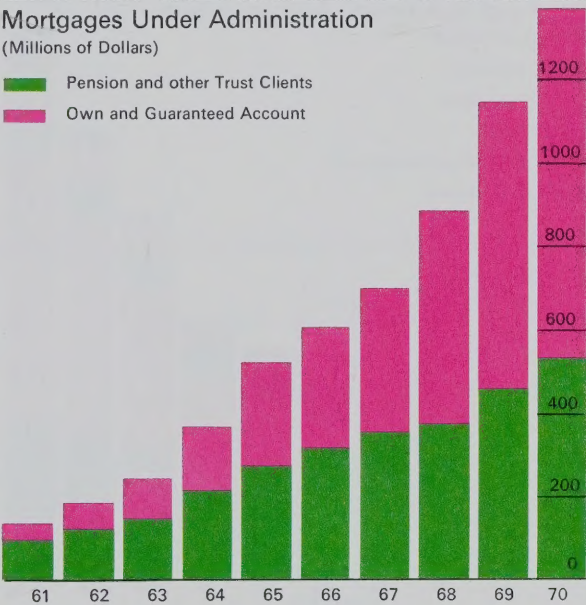
senting one-half the Company's assets today, exceeds the Company's total assets reported only three years ago.

The acquisition of The Ontario Loan and Debenture Company of London, Ontario in 1968 and The Industrial Mortgage and Trust Company of Sarnia in 1969, produced a figure for Goodwill amounting to \$5.7 million, which was stated in our 1969 Balance Sheet. This has now been removed from our statements at the request of regulatory authorities and has been written off to Reserve in the 1970 Balance Sheet herewith presented.

Capital Stock and Dividends
In a trying year marked by a liquidity crisis and world-wide revaluation of investments, we were gratified by the strength that Royal Trust shares displayed on the stock market. At the end of 1969 they were selling at \$27, declining in May 1970 to \$22½; but despite market conditions and a levelling off in our reported quarterly earnings, rose at year-end to \$28½.

The Rights issue last October was an outstanding success, with 99% of the shares being subscribed. It is interesting to note that the offering was supported in large measure by existing shareholders. Our stock is now held by some 5,100 shareholders, more than 97% of whom are residents of Canada. We appreciate the confidence shareholders have shown in management by this support of our continuing financial expansion.

Shareholders will note that their approval is being sought at the



Annual Meeting to increase the authorized stock from 5,000,000 to 10,000,000 shares. This increase is authorized under our Charter and if shareholders approve, only routine formalities are then required, rather than a Charter amendment. This increase is necessary as less than 300,000 authorized shares now remain in treasury available for issue. The Company's ability to continue its record of expansion and growth is directly related to funds available in its Capital Account.

Shareholders were advised of the dividend of 25 cents a share approved by the Directors on 19th January 1971. Although a modest increase over the previous quarterly rate of 24 cents a share, if this quarterly rate is continued throughout the year, as we hope, total dividend payments in 1971 will be approximately \$4.7 million compared with approximately \$4 million in 1970, when there were approximately 540,000 fewer shares outstanding. Except for 1962, your Company's dividend rate has increased every year since 1953.

Guaranteed Account

Guaranteed Account reached a record of \$1.4 billion in 1970. Most of the \$300 million increase was attributable to longer-term deposits with emphasis on the 5-year term. Guaranteed Investment Receipts with maturities from 1 to 5 years accounted for 47% of the account at year-end, compared with 39% for the previous year. Interest rates paid by the Company reached an all-time high, with a 9% rate prevailing on 5-year term deposits. During the same period

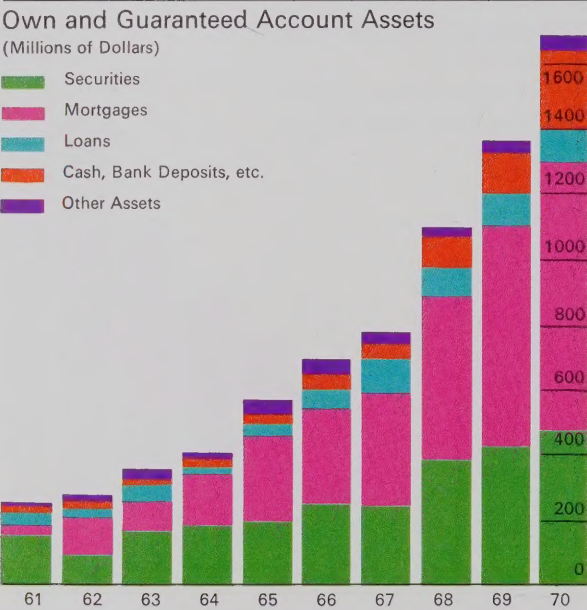
prime conventional mortgage rates were maintained at 10¼-10½%. Subsequently our rates declined to 8% for 5-year term deposits and 9¼% for prime conventional mortgages.

Estates, Trusts and Agencies

Volume of new business from Estates, Trusts and Agencies continued to expand, the total of such assets under our administration reaching a new high of almost \$9 billion, an increase of \$350 million over the previous year.

Introduction by the Federal Government of the White Paper on Taxation, with its far-reaching recommendations in regard to tax reform, necessitated exhaustive studies by our personnel in many fields. We made a substantial contribution of expertise to The Trust Companies Association briefs submitted to the Senate Standing Committee on Banking, Trade and Commerce and to the Commons Standing Committee on Finance, Trade and Economic Affairs, and in June appeared before both these Committees with the Association delegations. The impending draft legislation will receive our close study; in the meantime, we hope it will reflect at least some of our concepts of true tax reform.

As a matter of general interest, because of the complexities of the case and because of the large amount at stake, we are pleased to report the satisfactory conclusion of an action instituted six years ago by the Company as Trustee of the Murray Hendrie Estate against a large U.S. mining company. Our action resulted in an out-of-Court settlement whereby the estate received a cash payment

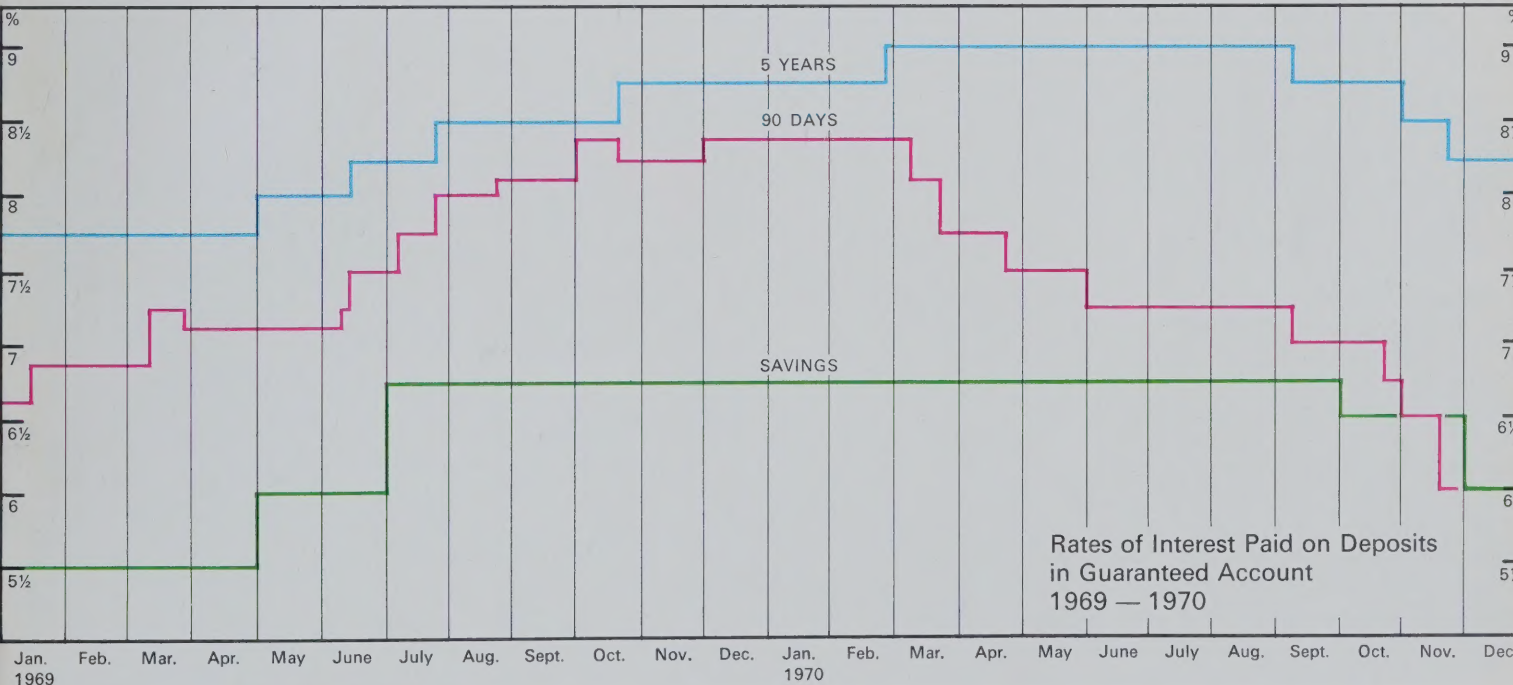


of \$27.5 million for all its claims in regard to the Kidd Creek Mine near Timmins, Ontario. Mr. Murray Hendrie died in 1914 and apparently did not consider this property, which he had received from the Canadian Government as a bonus for Boer War Service, worthy of mention in his Will, and indeed for many years it was considered to be unsaleable.

Pension Trusts

The year 1970 was a most challenging one in the operation of our pension trust and institutional account business. Unsettled securities markets contributed added pressures to investment and administration work,

and inhibited over-all growth of pension assets under administration. A gratifying increase in new business occurred, with 56 major new appointments during the year, including a number of savings, thrift and employee stock purchase plans which are becoming popular employee benefits. The increase in registered retirement savings plans for individuals is notable. By year-end we were providing direct trusteeship services for more than 8,000 individual retirement savings plans with assets in excess of \$33 million, mainly invested in our "A", "B", "C" and "M" Funds and the Guaranteed Retirement Savings Plan deposit facility. Total



Royal Trust mortgage lending exceeded \$265 million during 1970, for single dwellings, duplexes, apartments, commercial and industrial properties, shopping centres, and others, including religious, social and recreational facilities. Royal Trust's support in this vital field extended throughout the country, even as far north as Frobisher Bay, Northwest Territories. The apartment and row-housing complex pictured here represents the Company's northernmost mortgage loan.



pension trust assets under administration now exceed \$1.9 billion.

Corporate Trust

As noted earlier, a decline of approximately 40% in volume on the Montreal and Toronto stock exchanges, coupled with few major public corporate borrowings until the second half of 1970, resulted in little improvement over the previous year's figures. However, it was gratifying to receive the appointment as principal transfer agent for the Hudson's Bay Company, oldest chartered company in the world, on the transfer of its Head Office to Canada in conjunction with its 350th anniversary.

Real Estate

We now have 46 offices offering real estate services in 23 cities across the country. During the year 14 new offices were added.

In June, we purchased Cec McManus Realty Limited, of Moncton, N.B., in August, the Toronto company, Fysh Real Estate Ltd., and, in September, the Hamilton real estate firm of J. Valevicius Ltd. All previous owners have joined Royal Trust and their companies have been fully integrated into our national real estate sales operation.

In 1970, we introduced a Guaranteed Sale Plan for clients wishing to sell an existing house and purchase a new one. It provides that under certain circumstances a client wishing to purchase a new house, either in the same city or another Canadian city, can be certain that funds to the extent of his equity in his old house will be available on a

Classified Investment Funds
for Pension Trusts
(Market Value)
(Millions of Dollars)



specific date to meet his needs in respect of the purchase of his new home.

Mortgages

In 1970 we maintained our record as one of the largest mortgage lenders in Canada, committing an average of \$1 million in such loans every business day for residential housing, commercial and industrial properties, shopping centres, religious, social and recreational facilities. Payouts in new mortgages during the year totalled \$265 million. At year-end, our mortgage clients numbered over 50,000 and mortgage loans under administration totalled approximately \$1.4 billion.

During the year our N.H.A. lending policy was broadened, resulting in an even stronger emphasis on residential financing. Housing loans now account for approximately 73% of our portfolio, and include several projects in the Far North and Canada's natural resource development areas.

Mortgage Corporation

Total mortgage loans of The Royal Trust Company Mortgage Corporation at 31st December, 1970, amounted to \$172 million. In April, the Corporation sold an issue of \$15 million, 6-10 year debentures at an interest cost of slightly over 9½%. The proceeds were invested in mortgages yielding 10¾%.

"A", "B", "C" and "M" Funds

Sales of the equity sections of our Managed Funds were naturally affected by depressed stock market conditions and widespread investor

pessimism prevailing during much of 1970. Nevertheless, the number of units of "A" Fund outstanding rose by 3%, and "C" Fund units by 18%. With a sharply rising bond market during the latter part of the year and renewed interest in this form of investment, "B" Fund units outstanding rose by 28% over the previous year.

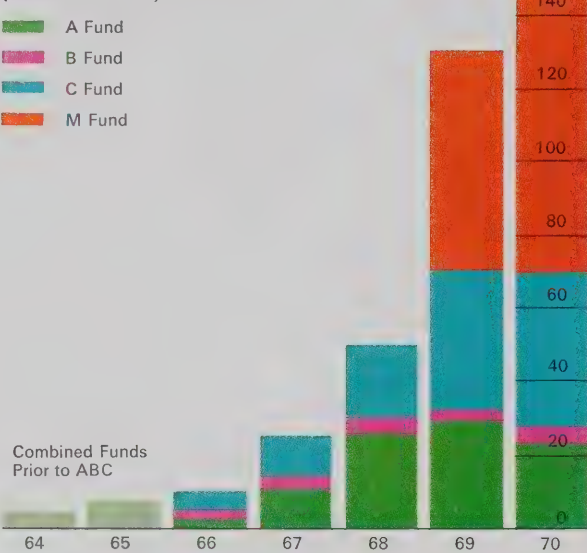
"M" Fund continued to be highly successful. Growth of the fund during the early part of 1970 was modest due to diminished promotion while its potential tax status under the "White Paper" was reviewed with federal authorities. With this matter clarified, growth resumed at a highly satisfactory rate and the number of units outstanding at year-end was 32% higher than at the start. The fund continues to provide a unique investment medium for small investors and its more than 19,000 participants now provide over \$82 million in loans to more than 4,300 home owners.

Savings

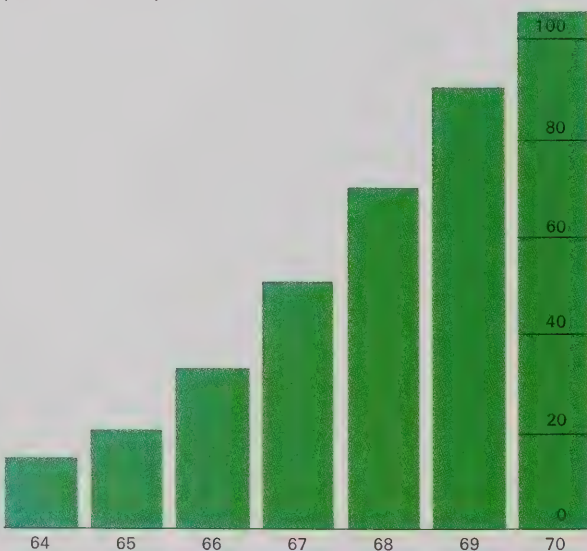
The number of Savings and Chequing accounts increased by nearly 10,000 during 1970, to more than 125,000, with total deposits exceeding \$100 million for the first time. Deposits increased by \$12.5 million, or 14%, to \$104 million, 85% being in "pure" Savings Accounts. An additional \$30 million flowed from Savings Accounts into the Company's Guaranteed Investment Receipts and Managed Funds.

Interest paid on Savings Accounts remained at the peak of 6¼% established in mid-1969 for the first three quarters of 1970. This rate was reduced to 6% by year-end and subsequently to 5½%.

Managed Funds (Market Value)
(Millions of Dollars)



Savings Accounts
(Millions of Dollars)



International

While we have successful and active operations in the U.K., Channel Islands, the Republic of Ireland and facilities in the Bahamas, Cayman Islands and Bermuda, we are exploring extensively other areas of the world, the objective being to diversify our operations and create new sources of profitable business outside of Canada. During the year under review very satisfactory progress has been made, resulting in active and profitable business.

Marketing

During 1970, we conducted a number of research projects covering the possibilities for new business locations, expansion of existing services and the effectiveness of combinations of various advertising media. In particular, we have been analysing how clients use our services, and how we may communicate with existing as well as potential clients through our advertising programme. Our surveys indicate that many Canadians do not fully comprehend the functions of trust companies, and we are planning ways to correct this situation with respect to The Royal Trust Company.

Electronic Data Processing

In 1970, we completed the re-design and re-programming required for transition from second to third generation computers at Head Office and conversion is nearing completion. A second generation computer situated at our Toronto Branch was also replaced by a third generation machine. These two systems are able to handle all the Company's record keeping

A new home for Royal Trust's main Quebec City Branch was announced during the year, with occupancy scheduled for early 1971, when the branch will also mark its 60th anniversary.

functions. Centralization of our branch accounting systems will be completed in 1971. The growing magnitude of this area is illustrated by the Company's expenditures on rental of electronic data processing equipment, \$1 million in 1970. We estimate rentals of \$1.3 million in 1971.

Personnel

The 2,800 employees of the Company are our most valuable asset. We have continued in our efforts to broaden their knowledge and improve their management and technical skills through internal and external courses and seminars covering Personal Trusts, Investments, Pension Trusts and Electronic Data Processing, as well as Management Development and Real Estate Sales. To complement the internal programmes, employees have been encouraged to pursue other academic studies and to secure specialist qualifications through evening and correspondence courses. The Company's programme includes financial assistance for such employees.

In a growing business, a dual problem arises from the staffing requirements of our branch system coupled with the importance of the employee's personal development. In meeting these needs we transferred some 60 officers throughout our national system in 1970.

Premises

During 1970, Kitchener-Waterloo Branch located its offices in the new "Inn of the Black Walnut" and Saskatoon Branch moved into a major downtown real estate development

— "Midtown Plaza". We also opened a new combined trust and real estate office in Moncton, N.B. Early in 1971 we will move as tenants into new buildings in the cities of Quebec and Trois-Rivières bearing the name of Royal Trust.

General

The matter of language rights and usage in the Province of Quebec has continued to concern legislators, the business community and, indeed, most Canadians. The long-standing policy of Royal Trust in this regard is based on recognition of the bilingual reality in this Province and the practical requirements of a nationwide operation. For many years we have served clients in either of the official languages and all published material is in both languages. In our brief to the Gendron Commission enquiring into French language rights and usage, we advanced the proposition that the whole language problem in Quebec is probably unique and the best answer appears to be to have the English language schools give pupils a good working knowledge of the French language. In our branches



	<i>Employees</i>	<i>Offices</i>
1961	1,368	22
1962	1,511	25
1963	1,673	29
1964	1,990	35
1965	2,044	39
1966	2,136	47
1967	2,215	49
1968	2,268	52
1969	2,565	57
1970	2,817	68

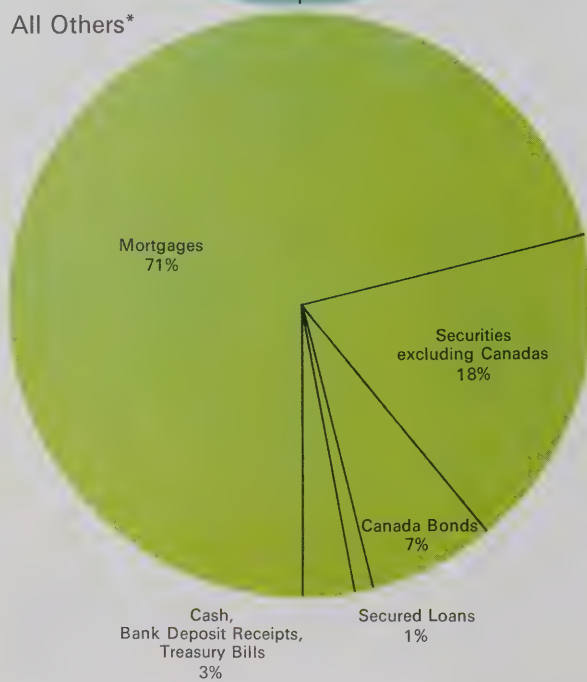
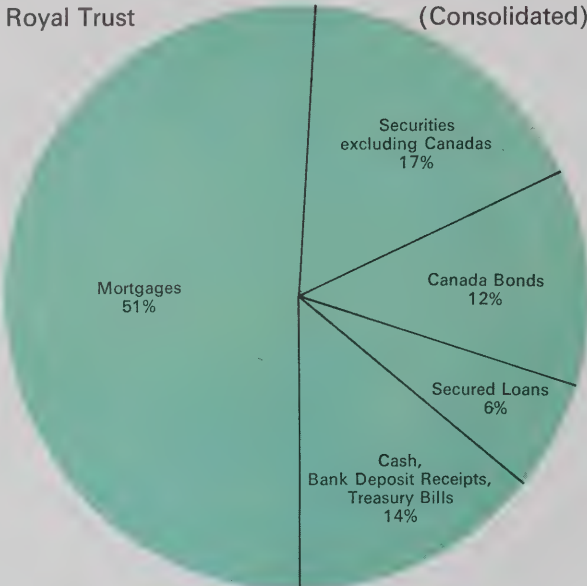
Comparative Composition of Investments Royal Trust with the Industry

in Quebec Province, French is largely used as the working language, and the same is true of certain areas of Montreal Branch, depending on clients' requirements.

The Company continued to play its role as a responsible corporate citizen by providing substantial financial and other support for youth, educational, recreational, health and welfare, and a wide range of other community projects throughout the country. We made a significant grant to the Canadian Olympic Fund, to mark the fact that the Olympics would be held in Canada for the first time, in 1976, and to assist our young men and women in meeting the high standards of Olympic competition. We contributed to the Centennial Funds of Manitoba and the Northwest Territories, each marking their 100th birthday in 1970. Our Toronto Branch Manager, John Worsley, was Chairman of the Toronto's 1970 United Appeal to which he devoted six months' full time and effort, resulting in the largest sum ever raised in such a cause anywhere in Canada.

In honor of Manitoba's Centennial, the Executive Committee met in Winnipeg in June, this being the first time in the Company's history that it had met west of Toronto. An Executive Committee meeting is planned in Victoria, B.C., this year, in April, to mark that province's Centennial.

The achievement of the Company in 1970 reflects the efforts of all members of staff from coast to coast in Canada and in our offices abroad. On behalf of the Board of Directors, we extend our most sincere apprecia-



tion for their performance, which enables us to describe ourselves as "Canada's leading executor and trustee".

C. F. Harrington

CONRAD F. HARRINGTON
Chairman and
Chief Executive Officer

K. A. White

KENNETH A. WHITE
President and
Chief Operating Officer

Montreal, Canada, 1st February, 1971.

*Source — Bank of Canada
Statistical Summary.

Mayor James E. Calvin, of Saint John, New Brunswick, left, receives from John Burleton, Manager, Saint John Branch, a hand-carved gavel and anvil presented by Royal Trust on the occasion of the dedication of Saint John's new City Hall. The anvil bears the city's coat-of-arms. A second office in New Brunswick was opened by the Company, in Moncton.

The efforts of a group of young people in Petrolia, Ontario, to restore the town's storied old "opera house" received a real boost when a cheque was presented to them by Conrad F. Harrington, Chairman, during a visit to Royal Trust's office there. Royal Trust promised to match certain other funds raised by the group if necessary to complete the project.



Something new for Royal Trust, a 10-foot revolving thermometer that can be seen half a mile has been installed atop the Company's main office in Sarnia. Present for the "warming up" were, left to right, R. J. Wilson, Senior Vice-President, Ontario Region; Harrison Corey, Advisory Board Member; R. S. Traquair, Manager; C. H. Huctwith, Board Member; Ted Leaver, President, Downtown Business and Professional Association, and W. L. Millman, Chairman of Royal Trust's Sarnia-Lambton County Advisory Board.

Montreal C.I.L. House Savings girls display the Canadian Olympic Association flag raised outside the building moments following the announcement that the 1976 Games would be held in Canada, for the first time. A grant of \$10,000 to the Canadian Olympic Association to help Canada's young people in Olympic competition was announced by Royal Trust.

Responding to the needs of a growing role, Royal Trust, Dublin, moved into new premises during the year, and pictured at a reception marking the occasion were, left to right: Brian Doyle, Managing Director, The Royal Trust Company (Ireland) Limited, Kenneth A. White, Royal Trust President, and Hon. James J. McCordle, Canadian Ambassador to Eire.

Consolidated Balance Sheet
as at 31st December

	1970	1969
		(Restated)
Assets		
<i>Assets Held for Guaranteed Account</i>		
Cash, bank deposit receipts and treasury bills	\$ 202,083,000	\$ 112,037,000
Secured loans	78,941,000	82,482,000
Securities — at cost (Note 4)	442,513,000	392,835,000
Mortgages — at cost (Note 6)	666,821,000	517,714,000
	<u>\$ 1,390,358,000</u>	<u>\$ 1,105,068,000</u>
<i>Other Assets</i>		
Cash, bank deposit receipts and treasury bills	\$ 34,813,000	\$ 14,961,000
Secured loans, and advances to clients	12,529,000	14,809,000
Miscellaneous accounts receivable	3,877,000	3,421,000
Securities — at cost (Note 4)	35,723,000	30,837,000
Mortgages held by subsidiaries — at cost (Note 7)	171,834,000	164,705,000
Premises, equipment and leasehold improvements at cost less accumulated depreciation and amortization (Note 11)	34,633,000	35,492,000
Unamortized debenture discount and underwriter's commissions of mortgage subsidiary	1,295,000	1,069,000
Deferred income tax charges	2,516,000	2,510,000
Excess of cost of investments in subsidiaries over acquired equity in net assets	—	5,687,000
	<u>\$ 297,220,000</u>	<u>\$ 273,491,000</u>

Signed on behalf of the Board		
CONRAD F. HARRINGTON	} Directors	
KENNETH A. WHITE		
		\$ 1,687,578,000 \$ 1,378,559,000

Assets Under Administration

As at 31st December — at estimated value	1970	1969
Funds and Investments of Estates, Trust and Agency Accounts under Administration excluding Bond Trusteeship and collateral held in that connection	\$ 8,985,000,000	\$ 8,634,000,000
Companies' Guaranteed Account and Other Assets	1,687,578,000	1,378,559,000
	<u>\$10,672,578,000</u>	<u>\$10,012,559,000</u>

1970

1969

(Restated)

Liabilities and Shareholders' Equity*Guaranteed Account — Trust Funds for Investment*

Investment receipts (Note 8)	\$1,285,919,000	\$ 1,013,164,000
Savings	104,439,000	91,904,000
	<u>\$1,390,358,000</u>	<u>\$ 1,105,068,000</u>

Liabilities

Short term notes of subsidiary	\$ 75,601,000	\$ 55,705,000
Due to bank	3,593,000	6,077,000
Income taxes — payable	1,375,000	3,656,000
— deferred	7,506,000	5,578,000
Miscellaneous liabilities	1,881,000	761,000
Preferred dividend payable by subsidiary	125,000	125,000
Debentures of subsidiaries (Note 9)	110,208,000	112,944,000
Mortgages payable (Note 12)	21,481,000	21,693,000
	<u>\$ 221,770,000</u>	<u>\$ 206,539,000</u>

Minority Interest

Preferred shares of The Royal Trust Company Mortgage Corporation	\$ 5,000,000	\$ 5,000,000
Common share equity in subsidiary companies	6,000	43,000
	<u>\$ 5,006,000</u>	<u>\$ 5,043,000</u>

Shareholders' Equity

Capital stock (Note 13)		
Authorized — 5,000,000 shares of \$1.00 par value		
Issued and fully paid — 4,702,043 shares (4,158,753 shares in 1969)	\$ 4,702,000	\$ 4,159,000
Reserve	60,000,000	54,159,000
Retained earnings	5,742,000	3,591,000
	<u>\$ 70,444,000</u>	<u>\$ 61,909,000</u>

\$1,687,578,000 \$ 1,378,559,000

**Statement of Consolidated Profit and Loss
for the year ended 31st December**

1970

1969

(Restated)

Income

Fees and commissions from

Estates, trusts and agencies	\$ 10,914,000	\$ 10,072,000
Real estate sales and property management	7,256,000	5,796,000
Stock transfer agencies and bond trusteeships	3,280,000	3,319,000
Pension trusts and institutional accounts	2,938,000	2,666,000
Mortgage administration	2,287,000	2,206,000
Managed funds (A, B, C and M)	1,109,000	611,000
Miscellaneous	857,000	843,000

Investment income from

Mortgages	65,508,000	47,557,000
Securities	37,428,000	33,949,000
Collateral loans	7,007,000	6,735,000
Short term deposits	15,003,000	10,081,000
	<u>\$153,587,000</u>	<u>\$123,835,000</u>

Expenses

Interest paid	\$104,269,000	\$ 79,476,000
Salaries, pension contributions and other staff benefits	19,415,000	17,404,000
Commissions to real estate agents and salesmen	4,060,000	2,934,000
Premises expense (net after rental income)	3,814,000	3,163,000
Rental, depreciation and maintenance of computers and office equipment	1,803,000	1,268,000
Advertising	1,279,000	1,372,000
Other expenses	5,004,000	5,010,000
	<u>\$139,644,000</u>	<u>\$110,627,000</u>

Profit before income taxes	\$ 13,943,000	\$ 13,208,000
Income taxes	6,867,000	6,588,000
Net profit before interest of minority shareholders	\$ 7,076,000	\$ 6,620,000
Minority interest	279,000	275,000
<i>Net operating profit</i> (Note 2)	<u>\$ 6,797,000</u>	<u>\$ 6,345,000</u>

Other additions (deductions)

Net gains (losses) on investments	378,000	(179,000)
Gain on disposal of premises	—	888,000
Income taxes applicable to above items	(144,000)	(133,000)
Net profit for the year (Note 2)	<u>\$ 7,031,000</u>	<u>\$ 6,921,000</u>

Statements of Consolidated Retained Earnings and Reserve Accounts for the year ended 31st December

	1970	1969 (Restated)
<i>Retained Earnings Account</i>		
Balance 1st January as previously reported	\$ 3,288,000	\$ 2,631,000
Prior year's adjustments	303,000	—
Balance 1st January as restated (Note 3)	\$ 3,591,000	\$ 2,631,000
Net profit for the year	7,031,000	6,921,000
	<u>\$10,622,000</u>	<u>\$ 9,552,000</u>
Deduct: Dividends paid	4,006,000	3,487,000
Transfer to Reserve	874,000	2,474,000
Balance 31st December	<u>\$ 5,742,000</u>	<u>\$ 3,591,000</u>
<i>Reserve Account</i>		
Balance 1st January as previously reported	\$47,000,000	\$40,000,000
Prior years' adjustments	7,159,000	7,159,000
Balance 1st January as restated (Note 3)	\$54,159,000	\$47,159,000
Transfer from Retained Earnings	874,000	2,474,000
Premium on issue of shares, less \$251,000 underwriting and other expenses of rights issue in 1970 . .	10,654,000	4,526,000
Deduct excess of cost of investments in subsidiaries over acquired equity in net assets	5,687,000	—
Balance 31st December	<u>\$60,000,000</u>	<u>\$54,159,000</u>

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS 630 Dorchester Blvd. W. Montreal 101, P.Q.

Auditors' Report

To the Shareholders of The Royal Trust Company

We have examined the consolidated balance sheet of The Royal Trust Company and its subsidiaries as at 31st December, 1970 and the statements of consolidated profit and loss, retained earnings and reserve accounts for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Clients' accounts and guaranteed funds are kept separate from the companies' own funds and are so earmarked in the books of the companies as to show the accounts to which they belong.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated statements are properly drawn up so as to exhibit a true and correct view of the state of affairs of the companies as at 31st December, 1970 and the results of their operations for the year then ended.

Riddell, Stead & Co.

Chartered Accountants.

Montreal, 27th January, 1971.

Notes to Consolidated Financial Statements as at 31st December, 1970

1. Basis of Consolidation

All subsidiary companies are included in the consolidated financial statements. These companies are The Royal Trust Company of Canada (a U.K. Corporation), The Royal Trust Company of Canada (C.I.) Ltd. (located in Jersey in the Channel Islands), The Royal Trust Company (Ireland) Limited, The Royal Trust Company (International) Ltd. (formerly The Royal Trust Company (Bahamas) Ltd.), The Royal Trust Company Mortgage Corporation (99.99% owned), The Bankers' Trust Company, Royal Agencies Limited, Place d'Armes Realty Co. Ltd., The Industrial Mortgage and Trust Company (99.81% owned), and Doreal Investments Ltd. (70% owned).

Foreign currencies have been converted into Canadian dollars at rates of exchange prevailing at 31st December.

2. Earnings per share

Earnings per share are based on the weighted monthly average shares outstanding: 4,259,000 for 1970 and 4,132,000 for 1969. Net operating profit per share is \$1.60 for 1970 and \$1.54 for 1969. Net profit per share is \$1.65 for 1970 and \$1.67 for 1969.

4. Securities (in thousands of dollars)

An analysis of securities held for Guaranteed Account is as follows:

Bonds of, or guaranteed by, governments of Canada, U.S.A. and U.K.	\$185,116	\$191,083
Bonds of, or guaranteed by, other governments.	11,860	11,799
Obligations of municipalities and corporations.	245,112	244,337
Common shares.	425	210
	<u>\$442,513</u>	<u>\$447,429</u>

An analysis of securities owned by the companies is as follows:

Bonds of, or guaranteed by, governments of Canada, U.S.A. and U.K.	\$ 11,952	\$ 12,589
Bonds of, or guaranteed by, other governments.	894	904
Obligations of municipalities and corporations.	6,424	6,385
	<u>\$ 19,270</u>	<u>\$ 19,878</u>

Preferred shares.	3,851	2,879
Common shares.	12,602	13,381
	<u>\$ 35,723</u>	<u>\$ 36,138</u>

Total securities held for Guaranteed Account and owned by the companies.

1970		1969	
Cost	Market	Cost	Market
\$185,116	\$191,083	\$169,601	\$165,470
11,860	11,799	22,599	22,372
245,112	244,337	200,635	197,430
425	210	—	—
<u>\$442,513</u>	<u>\$447,429</u>	<u>\$392,835</u>	<u>\$385,272</u>
\$ 11,952	\$ 12,589	\$ 8,169	\$ 8,089
894	904	5,349	5,339
6,424	6,385	2,944	2,795
<u>\$ 19,270</u>	<u>\$ 19,878</u>	<u>\$ 16,462</u>	<u>\$ 16,223</u>
3,851	2,879	3,445	2,496
12,602	13,381	10,930	11,618
<u>\$ 35,723</u>	<u>\$ 36,138</u>	<u>\$ 30,837</u>	<u>\$ 30,337</u>
<u>\$478,236</u>	<u>\$483,567</u>	<u>\$423,672</u>	<u>\$415,609</u>

5. Maturities of Assets

Percentage of maturities of assets, excluding mortgages, held by Guaranteed Account are as follows:

	1970	1969
Due within 1 year.	64.5%	62.7%
Due within 2 years.	11.9	12.4
Due within 3 years.	10.3	8.7
Due within 4 years.	7.1	13.6
Due within 5 years.	4.7	1.0
Due beyond 5 years.	1.5	1.6
	<u>100.0%</u>	<u>100.0%</u>

3. Comparative Figures

Certain reserves previously classified elsewhere are now included as components of Shareholders' Equity and, for comparative purposes, the 1969 figures (in thousands of dollars) have been restated as follows:

	Other Assets — Securities	Deferred Income Taxes	Mortgage Contingency Provision	Shareholders' Equity	
				Reserve	Retained Earnings
As previously reported	\$26,732	\$1,941	\$6,994	\$47,000	\$3,288
Investment Reserve	4,105	—	—	4,062	43
Mortgage contingency provision . . .	—	3,637	(6,994)	3,097	260
Restated . . .	<u>\$30,837</u>	<u>\$5,578</u>	<u>—</u>	<u>\$54,159</u>	<u>\$3,591</u>

Prior to 1970, net gains or losses on sales of securities were recorded in the Investment Reserve. These items are now disclosed in the Statement of Profit and Loss for the year, after Net Operating Profit and before Net Profit for the year. As a result of this change, the Net Profit for the year for 1969 previously reported as \$6,878,000 is restated as \$6,921,000, the difference of \$43,000 representing net losses on sales of securities (\$9,000) off-set by reduction in income taxes applicable to such losses incurred in Guaranteed Account (\$52,000).

Notes to Consolidated Financial Statements as at 31st December, 1970 (continued)

6. Mortgages Held for Guaranteed Account		1970	1969
Mortgages by principal amount due held for Guaranteed Account are as follows:			
Mortgages held for investment			
Due within 1 year	11.4%	\$ 75,891,000	13.5% \$ 68,054,000
1 to 5 years	82.6	551,184,000	75.8 381,656,000
Beyond 5 years	6.0	39,746,000	10.7 53,972,000
	<u>100.0%</u>	<u>\$ 666,821,000</u>	<u>100.0%</u> <u>\$ 503,682,000</u>
Mortgages under agreement for sale			
Receivable within 1 year		\$ —	\$ 13,790,000
Receivable within 2 years		—	242,000
		<u>\$ —</u>	<u>\$ 14,032,000</u>
Total mortgages		<u>\$ 666,821,000</u>	<u>\$ 517,714,000</u>
7. Mortgages Held by Subsidiaries		1970	1969
Mortgages by principal amount due held for subsidiaries are as follows:			
Due within 1 year	11.4%	\$ 19,495,000	11.5% \$ 18,817,000
1 to 5 years	62.2	106,836,000	62.4 102,752,000
6 to 10 years	23.9	41,114,000	21.5 35,480,000
11 to 15 years	1.7	2,939,000	3.5 5,817,000
16 to 20 years	0.8	1,450,000	1.1 1,791,000
Beyond 20 years	—	—	— 48,000
	<u>100.0%</u>	<u>\$ 171,834,000</u>	<u>100.0%</u> <u>\$ 164,705,000</u>
8. Investment Receipts		1970	1969
Investment Receipts are due as follows:			
Due within 1 year	52.7%	\$ 677,852,000	60.9% \$ 616,713,000
1 to 5 years	47.3	608,067,000	39.1 396,451,000
	<u>100.0%</u>	<u>\$1,285,919,000</u>	<u>100.0%</u> <u>\$1,013,164,000</u>
9. Debentures of Subsidiaries		1970	1969
Maturity dates of debentures of subsidiaries are as follows:			
1970		\$ —	\$ 19,982,000
1971		19,533,000	16,958,000
1972		18,605,000	18,767,000
1973		8,639,000	8,686,000
1974		2,894,000	2,934,000
1975		14,128,000	14,132,000
1976		10,538,000	2,531,000
1977		31,000	31,000
1979		5,998,000	5,994,000
1980		7,000,000	—
1981		3,292,000	3,379,000
1984		1,800,000	1,800,000
1985		11,750,000	11,750,000
1995		6,000,000	6,000,000
		<u>\$ 110,208,000</u>	<u>\$ 112,944,000</u>
Annual sinking fund requirements are:			
1971 to 1975 inclusive			\$280,000
1976 to 1980 inclusive			120,000

10. Commitments and Contingencies

(i) Outstanding commitments as at 31st December, 1970 for future advances to be secured by mortgages were \$93,065,000 of which \$10,511,000 had been allotted to trust clients whose accounts are administered by the Company.

(ii) The Company has contractual obligations in respect of leases payable as follows:

	<i>Total Sums Payable in Period</i>
Within 5 years	\$12,244,000
6 to 10 years	9,971,000
11 to 15 years	7,702,000
16 to 20 years	7,276,000
21 to 25 years	1,160,000
	<u>\$38,353,000</u>

\$16,376,000 of the total obligations of \$38,353,000 is to the Company's partially owned subsidiary. Rents incurred in 1970 were \$2,728,000.

11. Premises and Equipment

Premises, equipment and leasehold improvements aggregating \$34,633,000 are stated at depreciated cost. Of this amount \$24,400,000 relates to the head office premises of the Company. Depreciation of these premises on a straight line basis is calculated upon an estimated original life of 75 years of which 68 are remaining. All other assets are written off at rates equivalent to or in excess of those established by income tax authorities. Depreciation of premises and equipment and amortization of alterations to leased premises charged to operations amounted to \$1,669,000 in 1970 and \$1,394,000 in 1969.

12. Mortgages Payable

Mortgages payable by real estate subsidiary are as follows:

	1970	1969
6 $\frac{7}{8}$ % first mortgage loan maturity May, 1994	\$19,183,000	\$19,332,000
6 $\frac{3}{4}$ % first mortgage loan maturity June, 1970	—	2,361,000
10 $\frac{1}{2}$ % first mortgage loan maturity June, 1975	2,298,000	—
	<u>\$21,481,000</u>	<u>\$21,693,000</u>

Instalments of principal and maturities on above due in coming year are as follows:

6 $\frac{7}{8}$ % first mortgage loan	\$ 158,000	\$ 149,000
6 $\frac{3}{4}$ % first mortgage loan	—	2,361,000
10 $\frac{1}{2}$ % first mortgage loan	39,000	—
	<u>\$ 197,000</u>	<u>\$ 2,510,000</u>

13. Capital Stock

543,290 fully paid shares of capital stock were issued during the year ended 31st December, 1970 as follows:

- (i) 522,317 shares were issued for \$21.00 cash per share following the exercise of rights on 23rd October, 1970. Reserve has been increased by subscriptions in excess of par value.
- (ii) 20,923 shares were issued under an employees' stock option plan for a consideration of \$459,000. Under this plan the Directors have authorized the setting aside of 125,000 shares and employees are entitled to purchase specified amounts of the Company's shares annually for 5 years commencing 1st January, 1969 at 10% less than the market price. To 31st December, 1970 an aggregate of 54,295 shares has been issued under this plan.
- (iii) 50 shares were issued in exchange for 50 shares of The Industrial Mortgage and Trust Company.

for the individual

Estate Planning

Executor and trustee under wills

Administrator or agent for the heirs in estates where there is no will

Agent or attorney for executors

Agent for the management of estates

Trustee under deeds of trust

Committee or curator to property

Manager of investments

Agent for the investment of money and collection of dividends, interest, rent, and the principal of mortgages, bonds and stocks

Investment Funds (A, B, C and M)

Agent to buy, sell, and manage real estate

Mortgage loans

Custodian of securities

Depository for medium and short term money against Guaranteed Investment Receipts

Savings Accounts

Agent for preparation of income tax returns

Registered retirement savings plans (guaranteed)

Standing-by attorney

for corporations, firms and other organizations

Transfer agent and registrar for shares

Paying agent for dividends and bond interest

Subscription and rights agent

Depository and escrow agent

Trustee for bondholders and registrar for bonds

Depository for medium and short term money against Guaranteed Investment Receipts

Trustee and custodian for pension and other employee benefit plans

Trustee for buy-sell agreements under business insurance trusts

Management and custodianship of securities

Custodian and trustee for non-resident insurance companies

Agent for real estate, mortgages and lease-back agreements

Property management

Management of endowment funds, collection of pledges, etc., for charitable, religious, educational and similar bodies

General financial agent and all related services

Ten-Year Review	1961	1962	1963	1964
Year-End Position (Dollars in thousands)				
Companies' Own and Guaranteed Account Assets				
Cash, bank deposit receipts and treasury bills	\$ 22,033	\$ 21,008	\$ 19,952	\$ 25,197
Loans	28,650	35,549	52,501	24,249
Securities	157,715	149,838	170,320	189,727
Mortgages	42,109	61,614	91,858	152,881
Premises, equipment and leasehold improvements	5,116	8,321	7,699	8,314
Other assets	1,266	1,565	1,494	2,022
	\$ 256,889	\$ 277,895	\$ 343,824	\$ 402,390
Guaranteed Investment Receipts, Savings and Debentures				
Guaranteed investment receipts	\$ 220,236	\$ 235,982	\$ 291,644	\$ 311,934
Savings	—	—	—	14,103
Debentures and notes of subsidiaries	7,000	14,589	23,875	42,803
	\$ 227,236	\$ 250,571	\$ 315,519	\$ 368,840
Minority Interest and Liabilities				
Minority interest	\$ —	\$ —	\$ —	\$ 2,500
Mortgages payable	—	—	—	—
Other liabilities	8,509	3,806	3,245	4,111
	\$ 8,509	\$ 3,806	\$ 3,245	\$ 6,611
Capital, Reserve & Retained Earnings.	\$ 21,144	\$ 23,518	\$ 25,060	\$ 26,939
Assets under administration (in billions) Estimated value				

Results for Year (Dollars in thousands)				
Operating Income and Expenses				
Income —				
Fees and commissions	\$ 10,553	\$ 12,246	\$ 13,460	\$ 15,351
Income from mortgages	2,456	3,412	5,173	7,949
Income from other investments	8,802	10,699	11,978	13,259
	\$ 21,811	\$ 26,357	\$ 30,611	\$ 36,559
Expenses —				
Interest paid	\$ 7,844	\$ 10,177	\$ 12,702	\$ 14,973
Salaries, commissions and staff benefits	7,505	8,723	9,625	10,832
Net premises expense	823	1,185	1,494	1,626
Other expenses	2,098	2,619	2,904	3,379
	\$ 18,270	\$ 22,704	\$ 26,725	\$ 30,810
Profit before income taxes	\$ 3,541	\$ 3,653	\$ 3,886	\$ 5,749
Less —				
Interest of minority shareholders in net profit of subsidiary companies	\$ —	\$ —	\$ —	\$ —
Income taxes	1,752	1,634	1,845	2,944
	\$ 1,752	\$ 1,634	\$ 1,845	\$ 2,944
Net operating profit	\$ 1,789	\$ 2,019	\$ 2,041	\$ 2,805

Shareholders' Statistics				
Number of shareholders	1,878	2,048	2,286	2,365
Average shares outstanding	2,825,000	2,825,000	2,850,000	2,850,000
Number of shares traded*				
Price range — high*	\$ 9	\$10½	\$12¾	\$ 14
— low*	\$ 8½	\$ 9	\$10¾	\$12¾
Net operating profit per share	\$0.63	\$0.71	\$0.72	\$0.98
Dividends per share	\$0.36	\$0.36	\$0.43	\$0.45
Price earnings ratio — high	14	15	18	14
— low	13	13	15	13

* Prior to 1967 shares of the company were not listed. Price was established annually at the shareholders' meeting.

1965	1966	1967	1968	1969	1970
\$ 28,512 46,414 209,196 249,958	\$ 50,880 56,261 259,977 288,354	\$ 94,916 58,445 247,530 346,146	\$ 96,577 82,877 384,735 510,395	\$ 126,998 97,291 423,672 682,419	\$ 236,896 91,470 478,236 838,655
37,811 3,965	38,019 5,120	37,150 5,401	35,364 10,224	35,492 12,687	34,633 7,688
\$ 575,856	\$ 698,611	\$ 789,588	\$1,120,172	\$1,378,559	\$1,687,578
\$ 403,656 20,988 78,625	\$ 505,959 33,171 84,089	\$ 560,090 49,855 98,467	\$ 789,473 69,649 158,590	\$1,013,164 91,904 168,649	\$1,285,919 104,439 185,809
\$ 503,269	\$ 623,219	\$ 708,412	\$1,017,712	\$1,273,717	\$1,576,167
\$ 5,000 23,937 10,575	\$ 5,000 22,314 12,785	\$ 5,000 22,104 16,915	\$ 5,001 21,895 21,824	\$ 5,043 21,693 16,197	\$ 5,006 21,481 14,480
\$ 39,512	\$ 40,099	\$ 44,019	\$ 48,720	\$ 42,933	\$ 40,967
\$ 33,075	\$ 35,293	\$ 37,157	\$ 53,740	\$ 61,909	\$ 70,444
	\$ 7.6	\$ 8.3	\$ 8.9	\$10.0	\$10.7
\$ 17,158 13,408 14,667	\$ 19,397 18,788 18,876	\$ 20,792 22,589 24,406	\$ 22,344 31,539 30,938	\$ 25,513 47,557 50,765	\$ 28,641 65,508 59,438
\$ 45,233	\$ 57,061	\$ 67,787	\$ 84,821	\$ 123,835	\$ 153,587
\$ 19,708 12,827 2,061 4,371	\$ 28,465 14,100 2,375 5,076	\$ 35,822 15,310 2,934 5,350	\$ 48,889 16,515 3,316 5,809	\$ 79,476 20,338 3,163 7,650	\$ 104,269 23,475 3,814 8,086
\$ 38,967	\$ 50,016	\$ 59,416	\$ 74,529	\$ 110,627	\$ 139,644
\$ 6,266	\$ 7,045	\$ 8,371	\$ 10,292	\$ 13,208	\$ 13,943
\$ 146 2,901	\$ 250 3,286	\$ 250 4,221	\$ 250 5,496	\$ 275 6,588	\$ 279 6,867
\$ 3,047	\$ 3,536	\$ 4,471	\$ 5,746	\$ 6,863	\$ 7,146
\$ 3,219	\$ 3,509	\$ 3,900	\$ 4,546	\$ 6,345	\$ 6,797
2,497 3,056,000	2,650 3,160,000	3,028 3,160,000 205,000	3,403 3,292,000 486,000	4,795 4,132,000 421,000	5,107 4,259,000 474,000
\$ 17 \$ 14 \$1.05 \$0.50 16 13	\$ 19 \$ 17 \$1.11 \$0.55 17 15	\$ 24 \$ 16 \$1.23 \$0.63 20 13	\$ 27 \$14½ \$1.38 \$0.75 20 10	\$ 29 \$21¼ \$1.54 \$0.85 19 14	\$ 30 \$22½ \$1.60 \$0.96 19 14

Board of Directors

***Conrad F. Harrington, C.D.**
Chairman and Chief Executive Officer

***Kenneth A. White, C.D.**
President and Chief Operating Officer

***H. Greville Smith, C.B.E.**
Vice-President,
(President, Canadian International
Investment Trust Ltd.)

R. James Balfour, Q.C.
Partner - Balfour, MacLeod,
McDonald, Moss, Laschuk & Kyle
(Barristers and Solicitors)

G. Drummond Birks
Vice-President,
Henry Birks & Sons Ltd.

**Donald N. Byers,
Q.C., LL.D.**
Partner - Byers, McDougall,
Casgrain & Stewart (Barristers and
Solicitors)

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F.I.A., F.S.A.**
Chairman, Sun Life Assurance Co. of
Canada

Henry Collingwood
President, Baine, Johnston & Co. Ltd.

Harold P. Connor
Chairman of the Board,
National Sea Products Ltd.

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President, Territorial Hotels Ltd.

Fraser M. Fell, Q.C.
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The Great Lakes Paper Co. Ltd.

C. Antoine Geoffrion, Q.C.
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President, Blair & Co.

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Executive Vice-President,
Bell Canada

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Canadian Industries Ltd.

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School of Business Administration

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McGavin Toastmaster Limited

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Stone & Webster Canada Ltd.

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Managing Director,
Hudson's Bay Company

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Consultant, The Price Co. Ltd.

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Senior Partner - Riel, Bissonnette,
Vermette & Ryan
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Ontario Region,
The Royal Trust Company

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**Jules R. Timmins,
O.B.E., LL.D., D.Sc.**

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Chairman of the Board, Chairman of the
Executive Committee and
Chief Executive Officer

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President and Chief Operating Officer

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Senior Vice-President
Financial Services

Maurice Forget
Senior Vice-President
Quebec Region

J. W. R. Seattle
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Administration

R. S. Whyte
Senior Vice-President
Western Region

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Treasurer

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Assistant Vice-President
Trust Services

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Executive Assistant
to the Chairman

F. N. Haden
Assistant Vice-President
Marketing

V. G. Hobbes
Assistant Vice-President
(Portfolio Analysis)

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Assistant Vice-President
Public Relations

F. S. Milligan
Assistant Vice-President
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Mortgages

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Assistant Vice-President
Manager, Montreal Branch

H. E. Trenholme
Assistant Vice-President
International Services

A. B. Weir
Assistant Vice-President
Manager, Vancouver Branch

E. A. Wickens, C.A.
Assistant Vice-President
Fixed Income Securities

J. A. Worsley
Assistant Vice-President
Manager, Toronto Branch

G. E. Allen
General Supervisor
E. D. P. Services

J. A. C. Ferenbach, C.A.
Comptroller

G. R. Otley
General Supervisor
Investment Research

B. P. Riley
General Supervisor
Real Estate

L. S. Schurer
General Supervisor
Investments
(Personal Services)

C. Terrill Manning, Q.C.
General Counsel

Jacques S  n  cal, Q.C.
General Counsel (Consultant)

Branch Managers

Other Offices in Canada* Overseas

Representatives

Alan G. Aldous Saskatoon	W. T. Aitken Colborne St., Sarnia, Ont.	G. W. P. Camble Manager The Royal Trust Company of Canada (C.I.) Limited, St. Helier, Jersey, Channel Islands	Keith J. Harrison Labrador City, Nfld.
H. H. Barber (Acting Manager) Kingston	T. G. Barclay St. Thomas, Ont.	J. B. Doyle, F.C.A. Managing Director, The Royal Trust Company (Ireland) Limited Dublin, Ireland	Kevin M. Joy Gander, Nfld.
John W. Bayne Victoria	R. W. Bell Strathroy, Ont.	S. F. Fermor, F.C.A. Chairman and Managing Director, The Royal Trust Company of Canada, London, England	J. G. R. Lavoie Arvida, Que. Lac St-Jean Area
Mackenzie F. Bell London, Ont.	J. C. Carter Yonge & Eglinton, Toronto		Hubert T. Lonergan Yarmouth, N.S. Nova Scotia - North Shore
Charles F. Bentley Charlottetown	J. W. Hewitt Westmount, Que.		H. A. Simons Sherbrooke, Que.
P. S. H. Brodie Edmonton	I. L. Isenor Corner Brook, Nfld.		Donald H. Taylor Knowlton, Que.
John A. Burleton Saint John, N.B.	D. G. McCartney Moncton, N.B.		E. R. Taylor Hamilton, Ont.
L. A. Carrière Sherbrooke	J. L. McCaul, D.F.C., C.D. Forest, Ont.		A. W. Underhill Kitchener-Waterloo, Ont.
John H. Colbourne St. John's, Nfld.	M. W. McDowell Petrolia, Ont.		E. G. Wallbridge Edmonton, Alta.
John W. Corbishley Sault Ste. Marie	G. F. Miller St. Clair & Yonge, Toronto		
N. R. D. Dennys St. Catharines	G. Raymond Place Laurier, Ste-Foy, Que.		
Eric J. Dorman Regina	A. P. Roy Plaza St-Hubert, Montreal		
André Forest Quebec	Neil Turton Humbertown Centre, Islington, Ont.		
H. H. Gratton Hamilton	G. W. D. Zurbrigg Woodstock, Ont.		
George Mitchell Sarnia			
W. E. Mundell Lethbridge			
George F. Publicover Ottawa			
C. F. Ranson Halifax			
D. A. Ross Thunder Bay			
D. Donald Ross, C.A. Winnipeg			
J. P. Rousseau Trois-Rivières			
F. A. Simpson Kelowna			
Glyn Smallwood Montreal			
A. T. Smyth Kitchener-Waterloo			
R. R. H. Sturgess Calgary			
Andrew B. Weir Vancouver			
John A. Worsley Toronto			

*Does not include Real Estate Offices

Advisory Board Members

Newfoundland

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Rupert W. Bartlett, Q.C.
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Henry Collingwood
Arthur R. Lundrigan
Albert Martin
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Gordon A. Winter

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T. R. Francis, Chairman
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C. Wilmot Dean
Finlay MacDonald
George Mitchell
C. F. Ranson
Joseph Zatzman
F. Homer Zwicker

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John A. Burleton
James M. Crosby
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P. W. Oland, S.M.
William G. Quinn
P. Streeter

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S. E. Brock, F.S.A.
Pierre Côté
Georges Demers, B.A.Sc., C.E.
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Roger Létourneau, Q.C.

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D.S.O., C.D.
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C.B.
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F. W. Troop
R. P. White, O.B.E., V.R.D.

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Kenneth J. Shea
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Chairman
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C. Howard Huctwith
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J. Derek Riley, C.A.
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E. W. Arnott
Harold B. Elworthy
Rear-Admiral J. C. Hibbard,
D.S.C., C.D., R.C.N. (Ret'd)
Harold Husband
Hon. R. W. Mayhew, LL.D.
Ralph D. Perry
Hector C. Stone
H. A. Wallace

The Royal Trust Company of Canada London, England

Directors:
S. F. Fermor, F.C.A., Chairman
G. B. Holt, T.D.
A. Sheldon C. Black
C. F. Harrington, B.A., B.C.L.
R. Kimball, M.P.
A. H. Montgomery,
O.B.E., T.D., F.C.A.
H. M. Robinow
K. A. White

The Royal Trust Company of Canada (C.I.) Limited, St. Helier, Jersey, Channel Islands

Directors:
R. R. Jeune, Chairman
G. W. P. Camble
S. F. Fermor, F.C.A.
C. F. Harrington, B.A., B.C.L.
Sir Robert Maret,
K.C.M.G., O.B.E.
K. A. White

The Royal Trust Company (Ireland) Limited Dublin, Ireland

Directors:
J. B. Doyle, F.C.A.
S. F. Fermor, F.C.A.
C. F. Harrington, B.A., B.C.L.
G. P. Jackson
A. H. Montgomery,
O.B.E., T.D., F.C.A.
A. W. Warnock, F.C.A.
K. A. White

Offices

Head Office :

Montreal,
630 Dorchester Blvd. W.

Regional Offices

Atlantic Provinces Region

Halifax,
1648 Hollis Street

St. John's, Nfld.
Corner Brook
Halifax

Charlottetown
Saint John, N.B.
Moncton, N.B.

Royal Trust Building, 139 Water Street
Millbrook Shopping Centre
1648 Hollis Street
Holiday Inn, Dartmouth*
72 University Avenue
Brunswick House, One King Street
837 Main Street

Quebec Region

Montreal,
630 Dorchester Blvd. W.

Quebec
Trois-Rivières
Sherbrooke
Montreal

65 Ste. Anne Street
Place Laurier
154 Radisson Street
25 Wellington St. North
630 Dorchester Blvd. West
4145 Sherbrooke Street W.
6991 St. Hubert Street
Beaconsfield Shopping Centre, Beaconsfield*
19E. Commercial Centre, Roxboro*
147 Kindersley Avenue, Town of Mount Royal*
Fairview Shopping Centre, Pointe Claire*
1 Place Longueuil*
Knowlton, Quebec*
7400 Sherbrooke Street West*
3858 Notre Dame Street, Chomedey*
1624 Blvd. de la Concorde, Laval*

Ontario Region

Toronto,
Royal Trust Tower
Toronto-Dominion Centre

Ottawa
Kingston
St. Catharines
Toronto

76 Metcalfe Street
1363 Woodroffe Ave.*
74 Brock Street
4 Queen Street
Royal Trust Tower
2247 Yonge Street
32 Humbertown Centre, Islington
81 St. Clair Ave. East
227 Eglinton Ave. West*
2545 Hurontario Street*
1444 Danforth Ave.*
2355 Eglinton Ave. East, Scarboro*
842 Markham Rd., Agincourt*
257 Randal Street, Oakville*
Terminal Towers, 105 Main Street East
130 King Street East
1051 Main Street East*
105 King Street East
525 Talbot Street
453 Dundas Street
137 Dundas Street
72 Frank Street
161 – 165 King Street
4186 Petrolia Street
197 N. Front Street
1365 Colborne Road
350 Queen Street East
202 Arthur Street

Hamilton

Kitchener – Waterloo
St. Thomas
Woodstock
London, Ont.
Strathroy
Forest
Petrolia
Sarnia

Sault Ste. Marie
Thunder Bay

Western Region

Vancouver,
Royal Trust Tower
Bentall Centre
555 Burrard St.

Winnipeg
Saskatoon
Regina
Edmonton

Calgary

Lethbridge
Kelowna
Vancouver

Victoria

287 Broadway
Grant Park Plaza Shopping Centre*
Midtown Plaza
101 McCallum Hill Building
10039 Jasper Avenue
Meadowlark Shopping Centre*
600 - 7th Avenue S.W.
8411 Elbow Drive*
Lake Bonavista Shopping Centre*
323 - 7th Street South
248 Bernard Avenue
Royal Trust Tower
2075 West 37th Ave.*
1861 Marine Drive, West Vancouver*
1205 Government Street

Abroad

London, England
St. Helier, Jersey, C.I.
Dublin, Ireland

3 St. James's Square
33 Hill Street
64 Dawson St.

A thumbnail sketch of Royal Trust

The Royal Trust Company was incorporated in Quebec in 1892 and opened for business in November, 1899, in a one-room, two-man office in Montreal. Since that time, the one room has expanded to 65 offices from coast to coast in Canada (including 24 real estate offices), wholly-owned subsidiary trust companies in London, Eng., Dublin, Eire, and St. Helier, Jersey, Channel Islands, and interests in trust companies in the Bahamas, Bermuda and Cayman Islands. Staff now exceeds 2800 men and women. The Company has become the largest in Canada, providing a wide range of trust services to hundreds of thousands of individuals and corporations, and with nearly \$11 billion of assets — largely other people's money — under its administration.

AR02



Royal Trust

\$10 billion Assets under administration
(31st December 1969)

HEAD OFFICE
630 DORCHESTER BLVD. W.
MONTREAL

Offices from coast to coast and abroad

view to producing an ultimate operating profit by the year-end compatible with the growth record of recent years.

You will note that consolidated assets have exceeded \$1.5 billion for the first time. This represents an increase of \$162 million since our last year-end, 31st December, 1969. This increase is almost entirely attributable to the expansion of our deposit taking operation. The continuing expansion of this function requires subscription of additional capital by our shareholders and accordingly your directors have approved in principle a 1 in 8 rights issue to shareholders. Subject to market conditions, the rights offering is expected to be made in October.

C. F. Harrington.

Chairman and Chief Executive Officer

24th July, 1970

Royal Trust



Interim Report

FIRST HALF 1970

To our Shareholders

Net operating profit for the first half of 1970 was up 4 per cent over the same period in 1969, amounting to \$2,973,000 in 1970 compared with \$2,870,000 last year. This represents earnings per share of 71 cents for the 1970 first half compared with 69 cents for 1969.

Profit before income taxes for the first half of 1970 (unaudited) was approximately the same as for the comparative period of 1969. However, since a larger portion of 1970's profit consisted of non-taxable income, a smaller tax provision for the current period (\$2.8 million for 1970, compared with \$2.9 million in 1969), was required, resulting in the increase in net operating profit.

The recent business environment and stock market changes in the first half of 1970 have made an impact on certain of our sources of revenue. In addition, two of our major branches moved to more modern and more expensive new premises late in 1969. Costs associated with the expansion of our computer facilities in two cities and the opening of new real estate sales offices added to our 1970 operating expenditures although these expenses are within planned budgetary limits. We have been able to assess the effect of these events on our potential earnings for the complete 1970 year and have taken further steps to control expenses with a

(Continued on back page).

FINANCIAL STATEMENTS (Unaudited)

(Dollars in thousands)

Consolidated Profit and Loss

	Six Months ending 30th June		% Increase (Decrease)
	1970	1969 (Restated)	
Income			
Fees and commissions	\$ 14,082	\$ 12,753	10
Income from investments	56,567	42,362	34
	<u>\$ 70,649</u>	<u>\$ 55,115</u>	<u>28</u>
Expenses			
Interest paid	\$ 49,184	\$ 35,643	38
Salaries and other staff benefits	9,522	8,442	13
Other	6,011	5,110	18
	<u>\$ 64,717</u>	<u>\$ 49,195</u>	<u>32</u>
Profit before income taxes	\$ 5,932	\$ 5,920	—
Income taxes	2,800	2,900	(3)
Net profit before minority interest	\$ 3,132	\$ 3,020	4
Minority interest in profit	159	150	6
Net operating profit	<u>\$ 2,973</u>	<u>\$ 2,870</u>	<u>4</u>
Average number of shares outstanding	4,169,000	4,133,000	1
Earnings per share	71¢	69¢	3
Dividend declared in period, per share	48¢	42½¢	13

Condensed Consolidated Balance Sheet

	As at 30th June		% Increase (Decrease)
	1970	1969 (Restated)	
Assets			
Cash, bank deposits and treasury bills	\$ 183,598	\$ 204,887	(10)
Secured loans, and advances to clients	67,679	65,110	4
Securities less investment reserve	489,000	403,080	21
Mortgages	747,904	581,326	29
Other assets	48,088	48,183	—
	<u>\$1,536,269</u>	<u>\$1,302,586</u>	<u>18</u>
Liabilities and Equity			
Deposits, short term notes and debentures	\$1,439,376	\$1,200,730	20
Other liabilities, minority interest and mortgage contingency reserve	41,555	49,446	(16)
Shareholders' equity	55,338	52,410	6
	<u>\$1,536,269</u>	<u>\$1,302,586</u>	<u>18</u>